

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

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E.O. 11652: N/A

TAGS: ENRG, NI

SUBJ: ENERGY: NIGERIAN OIL AND GAS POLICIES

SUMMARY. GENERAL GOWON'S BUDGET SPEECH MARCH 31 REVIEWED
NIGERIAN POLICY AND PLANS REGARDING PETROLEUM AND NATURAL
GAS. END SUMMARY.

BEGIN UNCLASSIFIED

1. OIL PRICES. GENERAL GOWON CONCLUDED "IT WOULD BE WRONG
MERELY TO SEEK TO LOWER THE PRICE OF OIL WHILE THE PRICES OF
MANUFACTURED GOODS, ON WHICH WE OF THE DEVELOPING WORLD ARE
SO MUCH DEPENDENT, CONTINUE TO RISE." HE COMMENTED THAT
"THERE IS NOTHING PARTICULARLY SPECTACULAR IN THE RISE IN
THE PRICE OF OIL" COMPARED TO "PRICES OF PRACTICALLY ALL
FINISHED PRODUCTS" WHICH "HAVE DOUBLED AND IN SOME CASES
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EVEN TREBLED DURING THE PAST YEAR OR TWO." AND HE OBSERVED

THAT "NONE OF THE CONSUMING COUNTRIES HAS SO FAR REDUCED ITS TAXATION ON OIL PRODUCTS TO AFFORD ANY RELIEF TO INDIVIDUAL CONSUMERS" WHILE "THE OIL COMPANIES ALL REPORT 100 TO 150 PERCENT PROFIT GAINS."

2. OIL REVENUE. GOWON'S SPEECH AND A FOLLOW-UP STATEMENT BY FINANCE COMMISSIONER SHAGARI ON APRIL 1 AVOIDED ANY ESTIMATES OF OIL REVENUE DURING THE FINANCIAL YEAR JUST BEGINNING. HOWEVER, SHAGARI ESTIMATED FY 1974-75 TOTAL FOREIGN EXCHANGE EARNINGS AT \$4.9 BILLION AND TOTAL GOVERNMENT REVENUE AT \$4.7 BILLION. WHEREAS OIL ACCOUNTS FOR ROUGHLY 80 PERCENT OF EACH, NEW BUDGET IS CONSERVATIVELY BASED ON ANNUAL OIL REVENUES OF APPROXIMATELY \$4 BILLION. THIS RATE WAS EFFECTIVE AT PRICE LEVELS OF OCTOBER-DECEMBER LAST YEAR, BUT GOVERNMENT TAKE AT PRESENT LEVELS AND PROJECTED PRODUCTION INCREASES SHOULD IN FACT APPROACH \$8 BILLION--DOUBLE THE BUDGETED ESTIMATES.

3. OIL PRODUCTION. GOWON SAID PRODUCTION IN FY 1972-73 "REMAINED AT JUST OVER TWO MILLION BARRELS PER DAY AS A RESULT OF DELIBERATE GOVERNMENT POLICY." HE FORESAW "A MODEST INCREASE IN THE LEVEL OF PRODUCTION DURING THE COMING YEAR IN ACCORDANCE WITH PLANS APPROVED LONG BEFORE THE CURRENT CRISIS AS WE DO NOT INTEND TO TAKE UNDUE ADVANTAGE OF THE PRESENT DISTURBED SITUATION IN THE WORLD PETROLEUM INDUSTRY."

4. GOVERNMENT PARTICIPATION. ACCORDING TO GOWON, FMG "WILL CONTINUE ITS EFFORTS TO INTERVENE MEANINGFULLY AND EFFECTIVELY IN THE LOCAL PETROLEUM INDUSTRY... NEGOTIATIONS WITH TWO PROMINENT PETROLEUM PRODUCERS WILL BE CONCLUDED DURING THE COMING YEAR, AND WE SHALL ACQUIRE INTERESTS IN SOME MAJOR OIL MARKETING AND SERVICING COMPANIES."

5. REFINERIES. GOWON SAID PROGRESS ON THE SECOND DOMESTIC REFINERY (TO BE BUILT AT WARRI) WAS "QUITE SATISFACTORY." MEASURES WOULD ALSO BE TAKEN IN THE COMING YEAR TO INCREASE PRODUCTION OF THE EXISTING REFINERY (AT PORT HARCOURT) AND TO IMPROVE DOMESTIC MARKETING. "ACTION IS ALSO BEING SPEEDED UP ON...THE THIRD REFINERY AT KADUNA", AND "FURTHER CONSIDERATION WILL BE GIVEN TO THE VARIOUS PROPOSALS ALREADY RECEIVED ON THE LIMITED OFFICIAL USE

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CONSTRUCTION OF EXPORT-ORIENTED REFINERIES."

6. NATURAL GAS. ON APRIL 1, 1973 RPT 1973, GOWON SAID A PROGRAM FOR DEVELOPMENT OF LNG WOULD BE ANNOUNCED "IN THE COURSE OF THIS FISCAL YEAR." THIS YEAR'S MESSAGE GAVE NO REASON FOR THE FAILURE TO CARRY OUT LAST YEAR'S PROMISE. IT SAID MERELY THAT LNG (AND PETROCHEMICAL) STUDIES "HAVE REACHED AN ADVANCED STAGE, AND DURING THE COMING YEAR TECHNICAL PARTNERS

FOR JOINT VENTURES WITH THE FMG WILL BE SELECTED TO ENSURE AN EARLY TAKE-OFF OF THE PROJECTS."

7. PETROLEUM TRAINING INSTITUTE. GOWON MENTIONED \$13.7 MILLION HAS BEEN SET ASIDE FOR FIRST PHASE OF INSTITUTE TO BE BUILT IN WARRI. HE MADE NO MENTION OF ASSISTANCE PROMISED BY SOVIET UNION FOR THIS PROJECT.

8. DIVERSIFICATION. GOWON CITED "DANGER INHERENT IN UNDUE DEPENDENCE ON ONLY PRODUCT" AND SAID FMG WOULD INTENSIFY EFFORTS TO DISCOVER NEW MINERAL RESOURCES. AIRBORNE GEOPHYSICAL SURVEYS ALREADY BEING CONDUCTED BY THREE INTERNATIONAL COMPANIES. END UNCLASSIFIED, BEGIN LIMITED OFFICIAL USE

9. COMMENT. GOWON'S REMARKS ON PRODUCTION POLICY (PAR 3) ECHO LINE TAKEN SINCE BEGINNING OF ENERGY CRISIS IN OCTOBER 1973. THEY ARE PROBABLY INTENDED TO BE HEARD IN OTHER OPEC COUNTRIES AND, TO SOME EXTENT, IN MOSLEM AREAS OF NIGERIA WHERE THERE IS SOME SENTIMENT TO TAKE POLITICAL SIDES WITH THE ARABS VIS-A-VIS THE OIL CONSUMING NATIONS. IN FACT PRODUCING COMPANIES PURSUING BUSINESS AS USUAL, AND EVEN THOSE WITH GOVERNMENT REPS ON THEIR MANAGEMENT COMMITTEES ARE KNOWN TO HAVE MADE PRODUCTION EXPANSION DECISION SINCE OCTOBER.

10. "TWO PROMINENT PETROLEUM PRODUCERS" MENTIONED (PAR 4) IN CONNECTION WITH GOVERNMENT PARTICIPATION CAN ONLY BE GULF AND MOBIL WHO HAVE BEEN NEGOTIATION WITH FMG FROM TIME TO TIME SINCE EARLY 1973. GOWON'S REMARK IS CONSISTENT WITH PREVIOUS GOVERNMENT STATEMENTS IN ITS MODERATION AND ANTICIPATION OF A SATISFACTORY CONCLUSION. HE CHOSE NOT TO MENTION THAT 55 PERCENT PARTICIPATION AGREEMENTS HAVE RECENTLY BEEN PROPOSED TO ALL OF THE PRODUCING COMPANIES (EXCEPT TEXACO, AT LEAST LIMITED OFFICIAL USE

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SO FAR). UNTIL THE COMPANIES ACCEPT THE OFFER AND SIGN WITH THE GOVERNMENT, PUBLIC ANNOUNCEMENT WOULD HAVE BEEN PREMATURE. (SEE LAGOS 2576). END COMMENT. END LIMITED OFFICIAL USE, BEGIN UNCLASSIFIED.

11. FOR LONDON: PLEASE TELEPHONE PARAGRAPHS 5-6 AND GIST OTHER UNCLASSIFIED PORTIONS THIS MESSAGE TO:

MR STEENWINKEL, FLUOR, 01-628-4010

DR SALOMON, FOSTER WHEELER, 01-723-1221

MR THWAITES, PROCON, 01-388-1021.
REINHARDT

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